GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3182
ANSWERED ON:11.08.2000
GUIDELINES OF VENTURE CAPITAL COMPANIES
VILAS BABURAO MUTTEMWAR

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government have further liberalized the guidelines of venture capital companies and also enhancing the investment limits of these companies in an effort to give a fillup to the sector;

(b) if so, whether the Government have also decided to allow venture capital funds to take higher stakes by removing the ceiling of 40 per cent in the equity capital of a venture capital fund;

(c) if so, the details thereof; and

(d) the other steps being taken to improve the capital companies?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE. (SHRI V. DHANANJAYA KUMAR)

(a) Government has decided that the Securities and Exchange Board of India (SEBI) would be the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds. The Income Tax Act has been amended to provide that the income of a VCF and a VCC set up to raise funds for investment in a Venture Capital Undertaking (VCU) shall be exempted from income-tax. Any income received by a person out of investment made in a VCC or a VCF shall be chargeable to income-tax in the same manner as if it were the income received by such person had the investment been made directly in the VCU.

(b), (c) & (d) As per the Finance Act 2000 there is no limit on investment by a VCF in a VCU. However, SEBI proposes to limit investment in one VCU upto 25% of the corpus of the VCF/VCC.